

Written evidence submitted by Make It York

Impact of Covid-19 on DCMS sectors – call for evidence

Evidence submission from Make It York

Make It York was established in 2015 with the coming together of the marketing and promotion, economic development, and tourism functions in the city.

As a commercial business with a strong sense of social purpose, our mission is to grow the economic prosperity and the wider wellbeing of York. We achieve this by focussing on two cardinal points: economy and place.

Make It York is currently concentrating on four strategic priorities which are:

- City positioning and profile-raising
- Network-building and inward investment
- Ensuring an exciting city centre
- Delivering the York Culture Strategy

Make It York consulted with over fifty cultural sector contacts, in order to compile this submission and we received six in depth responses, which are summarised below (the full responses are given in the appendix). The key themes that all respondents mentioned are:

- Staffing was mentioned by most of the respondents, as many employ freelance artists and so accessing furlough grants has been difficult
- Lockdown meant that venues closed, events got cancelled and refunds were needed to be issued, resulting in no income and money going out instead of coming in
- Community venues and registered charities feel that they had slipped through gaps to access support. However, it was believed that the support offered should have covered most cases, but accessing the right information about what businesses were eligible for was tricky and resulted in businesses not being apply for the right support
- Although many grants and funding schemes were accessed, they often weren't enough to cover ongoing costs (such as insurance, PAYE, rent and so on)
- The timing couldn't have been much worse, with Covid-19 coming right at the start of the peak season which bank rolls the off season for many businesses
- Technical skills were a challenge for many who wanted to move content online
- Coming out of lockdown was a concern that featured in most of the responses – with no early guidance on exit strategies, meaning that planning for survival around the possibility of long-term closures was challenging
- There is a feeling that the speed of tourism recovery in York will help or hinder the recovery of the cultural sector, because of the crossover of both residents and visitors accessing the cultural scene in the city
- So many rely on live audiences for their productions, and ongoing social distancing guidelines are likely to impact on capacity and profitability once they do re-open. There is a desire to see funding and other support extended into this low period, until economic viability is reached

Feedback from survey of local businesses by Make It York

In March, Make It York issued a Covid-19 impacts survey to contacts across all business sectors. We received 261 responses, of which 115 came from businesses across DCMS sectors - Creative and Cultural (38 responses), Tourism (61 responses) and Media and Publishing (16 responses). The responses from these sectors are as follows:

- More than half of the responding businesses are Private Limited Companies, with around 1 in 6 being Sole Traders and the same proportion being Partnerships. 1 in 12 are self-employed.
- Average annual turnover from responding businesses is £1.4m. Half had a turnover of under £100k and none turn over more than £40m.
- Around three quarters of the responding businesses employ fewer than 5 people. The mean number of staff is 17, as 3 businesses reported a team greater than 100 people.
- Level of concern for the business due to Covid-19 is high, with 84% reporting great concern and none saying that it was business as usual. (See chart 1)

Chart 1:
What is your company's current level of concern relating to Covid-19?

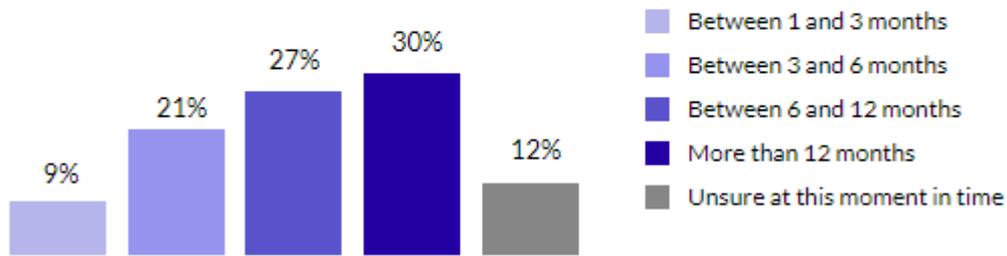


Base: 115 respondents from DMCS sectors

- The impacts of Covid-19 that are causing the most concern are: financial impacts (81%), the potential for a global recession (62%) and decreasing consumer confidence (58%).
- Only a third of responding businesses were able to keep operating immediately after lockdown, with three quarters of these saying they'd had to amend their business plan. The proportion of businesses continuing to operate in the tourism sector dropped to fewer than 1 in 6 – this sector registered the most severe impacts across many of the measures.
- More than half of the responding businesses in these sectors felt that their business would continue to be affected for 6 months or more after normality resumes. This anticipated time frame was significantly longer than recorded by businesses in other sectors. (See chart 2)

Chart 2:

How long after we all return to normal life and routines, do you expect your business market to continue to be affected?

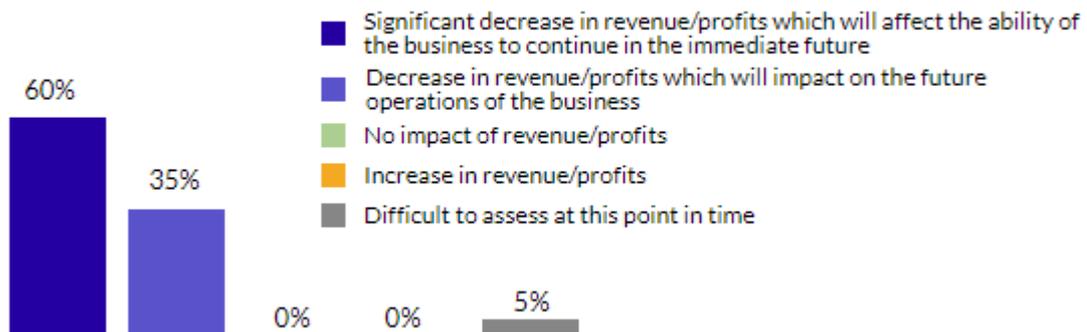


Base: 115 respondents from DMCS sectors

- 95% of responding businesses expected a decrease or significant decrease on revenue/profits, with no one saying their bottom line wouldn't be impacted or would see an increase. (See chart 3)

Chart 3:

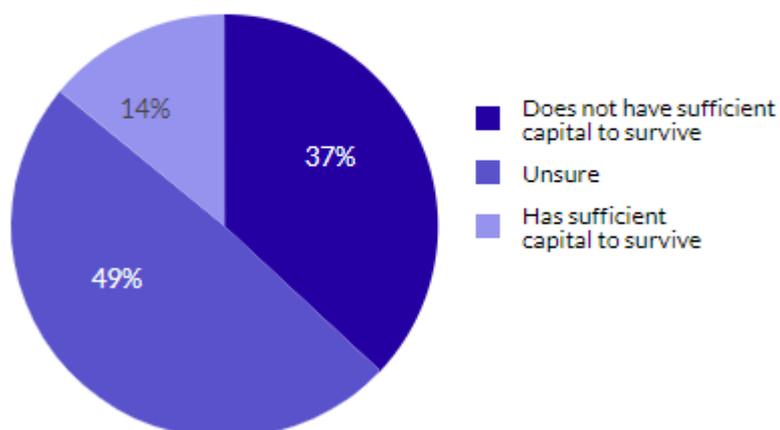
What impact do you predict Covid-19 will have on revenue/profits?



Base: 115 respondents from DMCS sectors

- Only 14% (1 in 7) responding businesses are confident that have sufficient capital to survive, with more than 1 in 3 saying that they do not have the capital to survive. (See chart 4)

Chart 4:
Does your business have sufficient capital to survive?



The results from this survey have been shared with key stakeholders and used to tailor the support offered to the different business sectors in and around York, as appropriate to their situation and circumstances.

Further research with the creative sector in York

With thanks to the Leeds City Region Local Enterprise Partnership, we are in the process of setting up a comprehensive survey of all creative sector businesses in York, to get to the bottom of the impacts of Covid-19 on their income, staffing, audiences, access to support and more. LCR have made the headlines from West Yorkshire available for benchmarking, and York will join in with subsequent waves over the next 18 months. Results from the first wave 1 in York should be available next month and can be made available to DCMS.

APPENDIX – Full responses from cultural sector businesses

Response 1 – Guild of Media Arts, Court Member response

- What has been the immediate impact of Covid-19 on the sector?

For the people, I know, it's general lack of stability, isolation and a - hopefully temporary - adjustment period, the discovery phase of which defined lots and lots of discussion, support and advice, overwhelmingly so.

- How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

I can't say I know exactly what's coming from the DCMS, but for the purpose, if this, I'll say anything from GOV.UK.

The support and advice I've seen from GOV.UK has been robust, clear, easy to find and diverse. It's allowed me to share information via the Guild of Media Arts blog with ease. I've found key messages, images, quotes and had content supplied by court members to push out updates. I started writing a blog with where to find support and realised that others, such as the DCMS are already doing this better than I ever could.

- What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

Ideally, it would be great to see more representation for issues and changes in the system that are more prominent than social media and media. For example, some self-employed or LTD company directors not qualifying to say they can't access funding. I'm sure they can, from somewhere and that lots of individuals and departments are pushing to be as clear as possible.

I usually find that emails from trusted partners, one of which in my case is the Northern Powerhouse, provides a trusted source of updates.

I realise it's the Wild West out there, so you can only do so much. As a note, I've not made much effort to seek out some updates and I'm not hugely active on social media, so I may have missed any updates. I know that if I was to look, I could quickly find the relevant information.

- How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

Hopefully, a stronger emphasis on recording meetings or discussions online or otherwise and more room for learning.

Someone in a meeting earlier today talked about increased "space" around work and life. If the government could back the change of pace and hopefully encourage a world that's not quite so pressing as it was prior to lockdown, that would be a huge improvement on individual choices on the quality of life they can live if they want.

With all the support out there, in my mind, it still doesn't feel as connected to London and the gov as it could be. In future, clearer access to representatives for local creative sectors and a direct route to Westminster or some sense of feedback on a local level would be wonderful. I don't know how realistic this is and I feel that we already have this expression of interest via online petitions which may (or may not) lack accountability. In short, how could the government support be linked more closely with individuals in regions up and down the country and be more accountable to changes, progress and development. Ideally, a sense of unity could lead to less fragmentation that I personally see. That said, I recognise that there are Arts Council Supported organisations who deliver the arts through their organisation.

An example I would use is Screen Yorkshire and how they represent new entrants. I know who to speak to because they put a lot of effort into networking at one point and I trust that they represent new entrants in the right way.

I know of some support locally, but nothing industry specific. I partly felt that from BECTU, but it's far too centralised and doesn't feel local. Same with FSB.

The above is why I support the Guild of Media Arts, as this is something we're working towards. Despite our link to UNESCO, we still don't get much if any support (that I know of). The interest is there to represent the sector, so why the government or local council doesn't support the efforts, I don't quite understand.

The Guild of Media Arts and York UNESCO Creative City of Media Arts also kindly supplied a copy of their own DCMS submission for our information.

Response 2 - (business requested anonymity)

We are a business that caters to groups of participants such as tourists, schools, charities and corporate groups.

We were a team of full-time staff alongside a pool of freelancers. Our business has been profitable every year since we began trading. The busiest time of year for us is from March through to September. The spring and summer months are when we make the vast majority of our income, with the autumn and winter months, spent on staff training, preparing for the spring, sales etc. So, really, this pandemic couldn't have come at a worse time.

Our income has gone from tens of thousands each month, to zero, literally overnight. So, yes, definitely, I can unequivocally say that the pandemic has had a severe and negative impact on our business. The main points, which we have also drawn to the attention of York Central MP Rachael Maskell are:

- Our PAYE Bill and the Small Business Rates Relief Grant: The £10,000 SBRR grant was great until we received a £6,300 PAYE bill, our landlord said we couldn't default on the 12-month office lease we just signed and our insurance and loan repayments cannot be stopped. This is a combined cost of £3000 per month. The grant went out of our account as quick as it went in. Yes, we can delay the PAYE payment but we still have to pay it at some point, HMRC gave us a 3 month delay. I will have less money in 3 months than I do now, something great to look forward to! The PAYE was for the last quarter, our business makes a loss in the January to March quarter. All the work our staff were doing then was for the next quarter when we make a profit, they were getting our sites ready, getting trained up, advertising and answering the clients' questions before receiving bookings from the clients. I am paying 6K in PAYE and literally getting nothing back for it. All the money we paid the staff for this quarter has literally been wasted, it is literally £25,000 in money I cannot recoup.
- Furlough: We chose not to furlough staff, we laid everybody off in March. The government scheme is very generous, but we simply don't have an end date and we don't know when regular work will start again and when things will be back to normal. The furlough scheme has already been extended for one month, giving us no faith things will be back to normal soon. Our employees are on roughly £2000 per month. They would have accrued 9.5 days of holiday pay in 4 months. This is roughly £1000 per employee. Our accountant charges £20 per month, per employee for dealing with payroll. $6 \text{ employees} \times 20 = 120 \times 4 \text{ months} = £480$. It is also a legal requirement to keep Employers Liability insurance, one of the few things I can cancel, even though these people are at home, not working for us, it's the law. As you can see, all the calculations above are based on this carrying on for 4 months, what if it is 6,9 or 12 months? We are likely to lose our entire summer period, we make a loss October to March, so we have lost our entire profit-making period. As the government have given us no end date the risk of furlough is too high for me to bare. We could not return to normal work until the end of the summer and let's say this is in 6 months' time, I would owe £7500 in holiday pay, £720 to our accountant and then possibly have to make them all redundant (again). As you can see furlough is not really any use to us in its current state. I

would rather have a business with no staff in 6 months' time than no business at all and just a mountain of debt.

- The Future: We are in the process of applying for a business interruption loan, but without clear communications regarding an exit strategy (or strategies), it's very difficult to plan for the future.

Response 3 – Artist-led studio

We are really struggling for funding to keep the studios open - we set these up back in 2016 house over 30 artists in the city, all of them self-employed and sustaining themselves as professionals in their field - some visual, some digital, some writers and performance artists - the lockdown has meant they're struggling to pay the rent - a lot of them make a healthy sum at York Open Studios which had to be cancelled this year / it's a private landlord and the city centre premises are expensive - (of course, It's York) they're looking into different grants at the moment to help pay the rent but the situation for some of them individually is really difficult. We set up the studios a few years back as a community, but there's no entity or business - it's an unincorporated body like a scout group as it were. Basically, the evidence is that grass roots studios like this are a bit of a grey area, due to their nature, but they are a vibrant part of the creative economy in the city and have a value that isn't always recognised. There is a worry that at crisis points like this, these kinds of spaces close down, due to lack of financial capital, but there needs to be a way through it as so many people depend on spaces like this. I don't know if that answers any of the questions, but I felt it needed flagging up, as it's not as simple as paying folks from arts council NPO funding or furloughing, it's an ecosystem of creatives who all work for themselves.

Response 4 – National Centre for Early Music (an NPO)

Immediate Effects: As a music venue we had to immediately close and cancel upcoming concerts and festivals. We also had to rearrange commercial and wedding bookings. Plus, refund to audiences for cancelled events.

DCMS Support: Arts Council were quick to liaise with NPOs, confirming an extension to the current funding period, an option to draw down the next instalment of the grant, and to relax the reporting elements of the funding agreement. However the only potential financial support available to NPOs was limited to those with serious cashflow issues up to September – although we are predicting a significant deficit, our cashflow and reserves demonstrated that we could meet our obligations up until September, and were therefore advised to not apply. Since this scheme was announced there has been little other support from Arts Council – our European colleagues with whom we speak most weeks, have had very clear guidance and support from their ministries of culture, something that we are feeling the absence of.

Long-term implications: As a venue, the current social distancing requirements makes it economically unviable to have a live audience. We are launching our paid for online festival at the end of this week and have little indication of how tickets will sell for this. Creating this online festival, with a very small team, and in a short time frame, has been testing! Restarting our live audience events will be uncertain as we don't yet know how our audiences will feel about returning to venues.

There is significant uncertainty for the essential commercial income stream that supports our activities. What do we need...? Additional funding and an extension to the furlough scheme! We are currently funding our budgeted deficit from our own funds – which will have implications on the extent of our activities for many years.

Many of our artists are international, and we have concerns about future international mobility, and artists commitments to travelling.

Lessons learnt? Undoubtedly, we and the sector have learnt that our business models are vulnerable to economic change.

How might the sector evolve? The NCEM was already digitally advanced, so were well placed to respond quickly. Audiences however are now overwhelmed with choice of free content, and we are starting to need to charge for our output (the rest of the sector is likely to be the same).

Response 5 – York Music Venues Network

UK Music venues already faced a perfect storm of threats before COVID-19, and this was particularly true of York, where 5 venues have shut down over the last decade.

We need further financial support to support this sector both immediately during lockdown to deal with the significant overheads we face, but over the next year as we emerge from social distancing and the impact this will have on the night-time economy. If we allow what remaining grassroots music venues to close, it will be a blow that culture and music in York and the UK will never recover from.

We further support the evidence provided by UK Live Music Group and the Music Venues Trust at a national level and support the findings that they have submitted to this committee.

Of particular concern at this time are properties with a rateable value over 51K and the lack of support for them, as well as pressures from Commercial Landlords who are not offering concessions to their tenants. There is also a lack of clarity as to what further support will be provided after June 30 to businesses that are either still shut or struggling to reopen under any new restrictions put in place which will affect their business models, particularly if reduced venue capacities are implemented.